Client Impact Assessment

Final Report

Prepared for USAID/El Salvador under the "Expanded Access and Economic Opportunities for Rural Families in Poverty" project / Rural Financial Activity (RFM)

Contract 519-C-00-99-00005-00

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EXECUTIVE SUMMARY

With funding provided by USAID/El Salvador under Contract 519-C-00-99-00005-00, FOMIR-DAI carried out a study in February-March 2002 in order to understand and analyze the opinions and perceptions of microfinance clients regarding the impact of their loans. The findings definitively illustrate a series of virtuous cycles generated at the level of the microenterprise and the household as a direct result of access to continuous sources of credit. A loan acts as an injection of fuel that propels the business into higher levels of income and profit. Higher income in the business sets in motion a series of positive multipliers throughout the business and the family.

The infusion of working capital enabled the microentrepreneur to expand the quality and quantity of inventory and to increase sales. In addition to increasing sales, borrowers also lowered transaction and input costs, which increased revenue and profit. Higher income means asset accumulation, which permited the borrower to smooth cash flow fluctuations and weather external shocks. Finally, increased sales resulted in higher demand for workers and, therefore, generated employment.

Higher income in the business also translated to positive impact at the household level. Borrowers overwhelmingly reported improved family welfare as measured by increased and consistent spending on education, health care, nutrition, housing and basic utilities. In addition, borrowers are able to smooth consumption over time because they have more capacity to face unanticipated expenses that tend to deplete family savings.

The reduction of financial strain on the family yielded a greater sense of security among family members and improved family cohesion. Particularly women said they are more respected by their family members and have greater independence and self-esteem.

The positive impact created by access to credit is supported not only by the findings of this study, but by the high repayment rates and repeat loans taken by the borrowers. Assuming that borrowers are rationale, they choose to repay on time and to take new loans because they experience positive benefits of the loan. The client impact evaluation conducted by FOMIR-DAI strengthens this conclusion with clear and overwhelming qualitative data.

BACKGROUND

1.1 Objectives

The objective of this participatory rapid appraisal was to identify and analyze the opinions, perceptions and perspectives of microfinance clients regarding the impact of access to and use of credit on their microenterprises and on the well being of their families. The findings of this study are intended for USAID/El Salvador and FOMIR-DAI to measure the efficacy of microfinance programs at the client level.

1.2 Methodology

During the planning stage of this research project, FOMIR-DAI in conjunction with USAID/El Salvador elected to use a participatory evaluation methodology for the economic and social impact study. Among the many techniques currently available for this type of methodology, focus groups were selected. The focus group technique is characterized by a guided discussion led by a skilled facilitator. Each group is comprised of a maximum of 15 people, who represent a cross section of the target population. The concept is a guided discussion intended to elicit a range of opinions and perspectives on specific subjects.

To achieve this, the team used a semi-structured discussion format that included various open-ended questions (see Annex). This methodology revolves around the qualitative information on each point or theme discussed, and allows the researchers to understand not only the participants' opinions, but the arguments or reasons for those opinions as well. It is important to acknowledge that focus groups are not intended to capture statistically verifiable quantitative data. Instead, this research tool yields anecdotal evidence that support conclusions about client impact.

The focus groups were based on the following two premises:

> (a) The personal experiences and the accumulated knowledge of the participants are valuable and relevant to the objective of the study in question.
>
> (b) Oral language and expression are an effective vehicle for the transmission of ideas, thoughts, beliefs and feelings, as long as appropriate conditions are created to encourage an atmosphere of free expression.

The team also employed a control group strategy against which the results of the borrower group findings were compared and contrasted. All control group participants had the following characteristics in common: all participants are microentrepreneurs that did not receive any type of credit – institutional or other – during the past two years. Another similarly structured discussion format was designed for these groups, including open-ended questions. (*See Annexes 1 and 2*).

In addition to the qualitative data gathered through the focus groups and control groups, the team also prepared a brief questionnaire for both groups in order to gather relevant concrete data such as type of economic activity and previous loan experience. (*See Annexes 3 and 4*). The goal of the questionnaire was to compile key data that contributed to the analysis of impact at the microenterprise and household levels. The questionnaires were completed within 20 minutes prior to the start of the discussion.

Finally, the team compiled credit history data on all participating clients from their respective microfinance institutions (MFIs). This information served to clarify the profile of the clients and allowed for some limited trend analysis with respect to the conclusions regarding impact.

1.3 Institutions, Participants and Regions Selected

The research team selected clients from the 11 MFIs that have benefited directly from the support and interventions of FOMIR-DAI. These are as follows:

1. Asociación de Ahorro y Crédito de la Unión (ACACU)
2. Asociación Cooperativa de Ahorro y Crédito de las Señoras del Mercado Municipal Nº 2 de Santa Ana (ACACSEMERSA)
3. (AMC)
4. (ACCOVI)
5. Centro de Apoyo a la Microempresa (CAM)
6. Asociación Salvadoreña de Extensionistas Empresariales del Instituto Centroamericano de Administración de Empresas (ASEI)
7. Banco Agricola (BA)
8. Banco Salvadoreño (BS)
9. Financiera CALPIA, S.A
10. Fundación "José Napoleón Duarte" (FJND)
11. Fundación Salvadoreña de Apoyo Integral (FUSAI)

The team selected the non-borrowers from the following four support institutions:

1. Cámara Salvadoreña de Artesanos (CASART)
2. Fundación para el Autodesarrollo de la Micro y Pequeña Empresa (FADEMYPE)
3. Fundación Salvadoreña para la Reconstrucción y el Desarrollo (REDES)
4. Cooperativa Americana de Remesas del Exterior (CARE)

Of these 11 microfinance institutions, the team formed 18 focus groups with a total of 140 borrowers. In addition, there were five control groups formed with 63 non-borrowers. The goal of borrower and non-borrower selection was to attain a cross section of clients that would proportionately reflect demographic and sectoral differences. The groups and their locations are listed in the table below.

DISTRUBUTION OF FOCUS AND CONTROL GROUPS (REGION, CITY, AND INSTITUTION)			
PROVINCE	**FOCUS GROUPS**	**CONTROL FOCUS GROUPS**	**TOTAL**
1. Ahuachapán	Ahuachapán (1) (CALPIA)		1
2. Santa Ana	Santa Ana (1) (ACACSEMERSA)	Santa Ana (1) (FADEMYPE) Metapán (1) (CASART)	3
3. Sonsonate	Sonsonate (1) (ASEI)		1
4. Chalatenango	Chalatenango (2) (BA)	Concepción Quezaltepeque (1) (CASART)	3
5. La Libertad	Santa Tecla (2) (FUSAI) (BA)		2
6. San Salvador		Mejicanos (1) (REDES)	1
7. Cuscatlán	Cojutepeque (1) (ASEI)		1
8. Cabañas	Sensuntepeque (1) (BA) Ilobasco (1) (ACCOVI)		2
9. La Paz	Zacatecoluca (1) (CAM)		1
10. San Vicente	San Vicente (1) (ACCOVI)		1
11. Usulután	Usulután (1) (BS)	Jiquilisco (1) (CARE)	2
12. San Miguel	San Miguel (1) (FJND)		1
13. La Unión	La Unión (2) (ACACU) (AMC) Santa Rosa de Lima (1) (AMC)		3
14. Morazán	San Franciscoco Gotera (1) (AMC)		1
T O T A L	**18**	**5**	**23**

1.4 Selection Criteria

By definition, the potential participants of the focus groups had first to fulfill one key requirement: each client had to have an active loan in the participating intermediary portfolio. In accordance with this requirement, FOMIR-DAI requested from the institutions a list of 30 current clients selected randomly from provinces in which the institution had a significant presence in the microfinance market.

From these lists, an average of 12 clients was asked to participate in their respective groups to be held at previously determined locations. In deciding the final participant list, three criteria were used, namely:

i. *Geographic representation*. The team sought to cast a wide net over the geographic distribution of the borrowers who participated in the focus groups. The team conducted focus groups in every province of El Salvador.

ii. *Gender Balance*. The borrowers selected also reflected the gender composition of the institutions' portfolios, which are composed primarily of women.

iii. *Representation of Economic Activities*. The team also selected borrowers in order to reflect the sectoral distribution of the clients of the 11 MFIs. While the economic activities of the participants included agricultural production, manufacturing, commercial trade, and services, most were petty traders, which reflects the balance found in the loan portfolios of the 11 financial intermediaries. (*See Chart 1*).

2. GROUP PROFILES

2.1 Financial and Non-Financial Characteristics: Borrowers

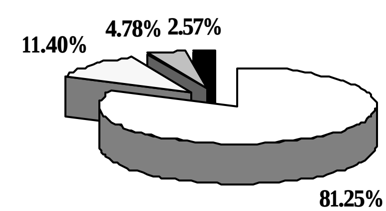
From the data gathered through the questionnaires as well as from the credit data provided by the microfinance institutions emerges a profile of the focus group participant that mirrors the typical Salvadoran borrower. First, she is most likely female (70% of focus group borrowers) and literate (86%). She is a petty trader (81.25% of borrowers). Most of these borrowers operate in market segments that are highly saturated. The remaining borrowers are engaged in the following sectors: services (11.40%), production (4.78%) and agriculture (2.57%). (*See Chart 1*).

The majority of women (78.85%) said they make the financial decisions of the business. Fewer women (53.38%) claimed that they make the financial decisions of the household by themselves, and 47.1% consider themselves head of the household. This implies that women maintain financial independence within their business, but when her finances are co-mingled with those of her husband and/or family, she often shares control with her husband. About 42% of women said they share the role of head of household with their husbands.

On average, there are 3.53 family members per client who depend on the client's income. This number is smaller than the number of family members who depend on non-borrowers. One possible explanation is that borrowers are more fiscally aware and deliberately choose to reduce dependency in order to maximize profits. However, further study is required to determine the reasons for the lower dependency figure.

Most borrowers have had experience with credit prior to the current loan – 65.54% of participants had at least one loan prior to their current loan. Moreover, 19.2% of those borrowers had received their previous loan from a moneylender.

Chart 1: Economic Activity of Clients



Borrowers appeared not to be very sensitive to price. About 40% of the borrowers interviewed were not aware of the rate they are paying, and one-third said they selected the loan based on price. The majority – or 57% – said that they chose their institutions based on the type of payment scheme offered.

The average loan size of the borrowers participating in the focus groups is 12,466 colones (or $1,423) with an average monthly interest rate of 2.77%. The average disbursed loan of these borrowers is higher than the average of the 11 partner institutions ($825.42), which likely reflects the fact that most of the borrowers that participated in the focus groups had passed through several loan cycles and graduated to higher loan sizes. The same holds true for the loan term, which was 12.85 months on average for the participating borrowers.

The vast majority of borrowers used their loan to increase their business inventory or to purchase raw materials (83.22%). (*Note: Respondents were permitted to select more than one possible use for their loan though multiple choice*). Nearly 25% used their loan to pay family expenses or to cancel household debt. (This figure is possibly higher in reality since borrowers are often hesitant to admit they use their loan for non-programmed purposes.) This finding is consistent with the generally accepted tenet that business and family assets are fungible. Finally, 9% said they used their loan to cancel other business loans. (*Note: This figure should be monitored over time as it could indicate rising levels of overindebtedness.)*

Approximately 2.6 jobs are created per microenterprise

On average, there are 2.63 people working in the microenterprise. This number includes the microentrepreneur. The team made efforts to clarify for the borrower the difference between a full-time employee and a family member who sporadically helps in the business. Nonetheless, some of these "employees" may include family members. While this figure must be treated with appropriate caution, it can be concluded that approximately 2.6 jobs are created per microenterprise.

Most of the borrowers who participated in the focus groups are repeat borrowers of their institutions with excellent repayment records. Only two of the borrowers were delinquent on their loans more than 30 days. About 86% of the borrowers had at least one previous loan with the institution, and 65.9% had at least two previous loans. The average loan size of the previous loan was $998.14 with an average loan term of 9.73 months. Prior to that loan, the average loan size was $743.68 with an average loan term of 9.47 months. The high loan sizes and longer terms confirm that these are older borrowers with good repayment records. In other words, these borrowers are a sample of the "good borrowers". Focus groups conducted with borrowers who have a more spotty performance record would likely yield different results. Good borrowers presumably exercise sound fiscal management in order to service their loan and likely generate higher income than delinquent borrowers. Therefore, the positive impact of credit for good borrowers is likely to be higher than for borrowers who fell into delinquency for any number of reasons.

An important assumption of this study is based on these repayment rates. The following are the portfolio-at-risk (PAR) rates reported by the 11 FOMIR-DAI partner MFIs during the 4th quarter of 2001.

MFI	% > 30 days past due
ADEL	8.34%
CALPIA	2.95%
FUSAI	6.94%
ASEI	5.39%
FJND	12.75%
CAM	4.03%
Banco Agricola	2.82%
Banco Salvadoreño	6.48%
ACACSEMERSA	2.10%
ACACU	12.00%
ACCOVI	18.48%

Given the strong repayment rate of the microfinance institutions, this study is primarily concerned with the impact of credit on the microenterprises and family welfare of "good borrowers." Nearly 95% of the total portfolio among the 11 MFIs is in good repayment. Eight out of 11 MFIs have less than 10% PAR, and four MFIs are below 5%.

A geographic break down of borrower statistics reveals that the smallest sample was drawn from northern El Salvador (Chalatenango and Cabañas); however, these borrowers had the largest average loan size ($2,397). The smallest average loan size ($525.62) was found in the western provinces (Santa Ana, Sonsonate, Libertad, and Ahuachapan). The borrowers from central and eastern El Salvador had relatively similar average loan sizes ($1,110 and $1,924, respectively).[1] The majority – or 60.7% - of the borrowers had individual loans. Less than 30% worked with institutions that used the village banking or solidarity group model.[2]

2.2 Financial and Non-Financial Characteristics: Non-Borrowers

The majority of women – or 74.1% – said they make the financial decisions regarding their business. However, fewer women (55.6%) make the financial decisions of the household, and only 33.3% percent of women said they were the heads of the household. This is consistent with the experience of the borrowers. When finances are co-mingled in the household, they fall under the control of the head of the household. When there is a husband in the household, for the most part either the couple shares the responsibilities or the husband retains control. Approximately 4.3 family members depended upon the income of the non-borrower.

Approximately half of the non-borrowers in the control groups are women. Nearly all of the non-borrowers (92.1%) are literate.

[1] The central provinces include La Paz, Cuscatlan and San Vicente. The eastern provinces include Usulutan, San Miguel, Morazan, La Unión.

[2] About 12% are clients of institutions that use both methodologies.

The sectoral distribution of the non-borrowers differed from those of the borrowers. About one quarter (27.1%) is engaged in some form of production or manufacturing. Another quarter (27.9%) listed agricultural activities as their primary source of income. Only 20.5% are involved in commercial trade and 16.4% in services. This is a critical discovery. The majority of the microentrepreneurs without a loan are engaged in economic activities other those of the majority of borrowers. In other words, most borrowers are petty traders or engaged in the service industry. It is logical that most of the loan products on the market are designed for this clientele. Few MFIs offer financial products tailored to the exigencies of the agricultural or manufacturing sector.

The salient issue that results from these figures is that a minority of the non-borrowers is engaged in petty trade, which is the majority sector among the borrowers. Since most of the portfolio of most MFIs is comprised mainly of commercial traders, it must be considered that many of these non-borrowers may not have a loan because there are fewer financial services tailored to their sector.

The team selected non-borrowers who had not received a loan within the last two years. However, 15.3% of the non-borrowers had taken a loan prior to March 2000. The majority (89%) had used it to build up their inventory, which is consistent with the borrowers. (Note: Respondents were permitted to select more than one possible use for their loan though multiple choice). However, 66.7% used their loans for raw materials, which may reflect the higher percentage of agricultural producers and artesans among the non-borrowers. In addition, the average loan size was $998.14 for about nine months at an average monthly interest rate of 4.82%. The average interest rate paid by the non-borrowers on their old loans is higher than that of the borrowers, which was 2.77%. As noted, about 40% of the borrowers could not recall their interest rates, suggesting that they are not price sensitive. The higher interest rates paid by the non-borrowers could be one factor that lead to their decision not to take another loan in addition to the aforementioned factor of mismatched financial products and services.

3. IMPACT AT THE MICROENTERPRISE LEVEL

A core objective of the evaluation was to identify the impact of access to credit at the microenterprise level. Specifically, the team looked at changes in income (revenue and profit), and sought to identify the impact of those changes. The following are the principal findings that resulted from these discussions.

3.1 Principal findings

Borrowers used their loans in a variety of ways to increase income. Among the **uses** of the loans were:

- ✓ Diversification of economic activity, products and services
- ✓ Lower transaction and input costs
- ✓ Improve infrastructure

Through these means, borrowers were able to increase income (revenue and profit), which generated a range of **positive impact** at the microenterprise level. Specifically, borrowers were able to:

- ✓ Face exogenous shocks
- ✓ Smooth cash flow fluctuations
- ✓ Accumulate assets
- ✓ Generate employment

The following section provides evidence and explantion of the links between the loan and the positive changes at the microenterprise level.

3.1.1. Higher and constant income through a diversification of economic activity

A critical phenomenon identified through the focus group process was the trend towards diversifying economic activity. Among the borrowers in the focus groups, **risk mitigation** took the form of diversifying income sources in order to offset potential losses in one sector with the gains in another. Risk mitigation behavior of the poor throughout the world has been well documented.[3] Many Salvadoran borrowers said they used their loans either to:

[3] For more information, see “Microfinance and risk management: A client perspective,” Cohen, M.; Sebstad, J. (CGAP focus note No. 17) Washington DC, USA: CGAP (1999)

a. invest in an on-going concern owned by the borrower
b. invest in an on-going concern owned by a family member
c. create a new business for the borrower or a family member in addition to their principal economic activity

It is important to note borrowers either used their borrowed capital for one of these purposes, or they generated enough income from the invested capital to pursue other economic activities. The end result is that the loan permitted the borrowers to diversify their risk and increase income through supplementary income generation strategies. For example:

- A woman in Cojutepeque made tortillas prior to her loan. With the borrowed capital, she retailed soccer equipment, and purchased a propane stove and opened a bakery with her son.

- Another client in Ahuachapán had a market stall (*tiendita*) selling records, tapes and books. She saw an opportunity to purchase another stand and to sell in a different part of the market. With a combination of earned income and the loan, she purchased the site for $1,485, furnished it for $800 and stocked it for $1,715. She has hired one full-time employee to manage one stall while she manages the other.

The essence of operating in the informal market continues to be subsistence living; however, borrowers are clearly demonstrating an entrepreneurial vision, and an accumulation of capital and savings, which in turn permits them to mitigate their risks.

As a direct result of sectoral diversification and higher income streams, borrowers are better equipped to **face exogenous shocks** to the market. About 88% of the focus groups said they are more financially prepared to face unexpected shocks such as economic downturns, natural disasters, and deaths, as well as special events that require additional financing e.g. births and weddings. For example, several borrowers in La Unión lost their businesses to a fire in the market. However, the capital they had accumulated from the investment of the loan allowed them to continue to repay their loan and rebuild in a new location. Without the loan, the tragedy would have had a more grievous effect on the borrowers since they would have had to turn to family members and/or moneylenders for capital.

The non-borrowers confirmed this finding. Many non-borrowers said they are able to meet their daily expenses in normal conditions but they struggle when emergencies or business slumps occur. In response, they often turn to a *prestamista* or moneylender in a moment of crisis. Some non-borrowers said they preferred the moneylenders because of the speed with which the loan is disbursed and the large loan sizes available. But the non-borrowers acknowledged that the interest rates are usurious – ranging on average from 10% to 20% per week. Several claimed they had to dip into their savings in order to repay the principal and interest. Borrowers and non-borrowers agreed the moneylenders provide a quick fix but at a high price in the long run. In addition to *prestamistas*, non-borrowers also turn to family members for 0% interest loans or to remittances from family members in the U.S. when they need capital for their businesses or to overcome a financial crisis.

The agricultural producers without credit experienced greater risk as a result of the climatic variability and the seasonal uncertainty. Some non-borrowers also pointed to the high rate of crime as a risk factor to which they feel extremely vulnerable. Most non-borrowers who spoke of this risk said they would not be able to recover financially from a theft in their business. Borrowers mentioned theft only as a risk of transporting goods long distances, but this did not emerge as a major threat. More study is required to determine whether this is a measurable trend between borrowers and non-borrowers and if there is causality.

Credit is, by no means, a panacea in the face of crisis, however. At times, credit has multiplied the effects of a shock, especially when it results in a severe contraction of demand. In Usulután, municipal officials urged citizens not to eat shellfish because of the presence of a toxic contamination or "red tide" on the coast. The decree caused a panic and a severe contraction of consumers. Borrowers whose livelihood depended on the sale of shellfish were wiped out and unable to service their loans. The lenders did not reschedule the loans, which resulted in a wave of defaults and write-offs. This experience confirms the business creed that leverage increases business risk and must be offset by sufficient return.

Despite the worsening effect that credit can have in conditions of unforeseen shocks, credit permits microentrepeneurs to **smooth cash flow fluctuations** that result from the normal ebbs and flows of business cycles. As mentioned, borrowers have more liquidity to face natural disasters, for example. Many borrowers recounted their stories of rebuilding after the earthquakes in 2001 with the income earned and assets saved from their growing business. This same liquidity permits borrowers to face any type of abrupt variation to their cash flow, such as the normal business cycles in the market. In this way, credit reduces borrowers' risk exposure and vulnerability.

Accumulated capital is not the only way in which borrowers smooth cash flow fluctuations. These borrowers also benefit from continued access to financing. They are repeat borrowers, which implies that they have uninterrupted access to sources of financing. The ability to tap into continuous financing without lengthy disruptions also contributes to cash flow smoothing.

Several non-borrowers in the control groups echoed this sentiment. When asked about the perceived benefits of credit, the non-borrowers in Santa Ana said that it would allow them to generate a steady income – or a continuous cash flow – even in the face of the capricious informal market.

3.1.2. Higher income through a diversification of products and services

While some borrowers used their loans to diversify into other sectors or sub-sectors, many chose to diversify the products and services of their current microenterprise. As mentioned, the majority of borrowers used their loans to increase inventory (83.22%). In some cases, this implied an improvement in the **quality of the product offering**. These borrowers invested in higher quality products that produced a higher yield. In other cases, borrowers increased the **variety of products and services** offered often included diversifying into other sub-sectors. Finally, borrowers also sought to **tailor customer service** to the demands of the market. Many borrowers saw the value in offering higher end goods to their borrowers both in terms of comparative advantage within the market as well as higher margins. For example:

- One client in Zacatecoluca sells clothes, shoes, and cosmetics. Before receiving her first loan, she and her family depended on the salary of her husband. With her first loan, she started her business, purchasing inputs in San Salvador. With subsequent loans, she was able to travel to the Guatemalan border to buy products of higher quality and more variety. She added finer perfumes and make-up to her inventory. As a result, she has experienced a doubling of revenue.

More borrowers, however, strove to offer a diversity of products rather than higher quality. This is logical given that the consumers also are low-income and are likely to be price sensitive. The borrowers engaged in petty trade were largely concerned with offering volume and variety to their borrowers.

- Another client in Zacatecoluca had sold sodas prior to receiving a loan. With access to credit, he diversified within the same sub-sector – selling a variety of juices, Gatorade, tacos, breads, hamburgers and hot dogs – and into other sub-sectors – wholesales spices to food stands and restaurants.

Some borrowers were more cognizant of the value of customer service and sought to improve business by improving client satisfaction. A gold and silver vendor in Santa Rosa de Lima, for example, used to sell four styles of necklaces. With her loan, she is able to offer dozens of styles. But what truly sets her apart in the market is that she takes personal orders from her borrowers for tailor-made jewelry. As a result of her investment and superior service, she has seen her sales increase from $35 per day to $345.

Whether better quality or more varied products and services, the end game for the borrowers was to become **more competitive** and thereby increase sales and revenue. In this way, borrowers are penetrating a variety of market niches in order to capitalize on demand.

3.1.3. Higher savings and liquidity

While this study did not seek to take quantitative measures, the evidence suggests that microfinance borrowers in El Salvador are able to save more as a result of their higher income generated by the loan. This finding further disproves the antiquated belief that poor people do not save. In fact, studies have shown that poor people throughout the developing world tend to have a high propensity to save. [4] As a direct result of the increased sales volume and income realized by Salvadoran borrowers, they are able to maintain a reserve within the business. This reserve serves to overcome external shocks (as mentioned) and to **smooth cash flow**.

The same gold and silver vendor in Santa Rosa de Lima said that she maintains a reserve for the business in anticipation of an event that would require liquidity. It is important to note that, while this client's reserve was earmarked for her business, the assets of most borrowers are fungible between the business and the family. Thus, higher income generated by the business mean increased family assets. This will be discussed in the next section.

The experience of non-borrowers supports the notion that credit permits a higher accumulation of liquidity and savings. Many non-borrowers delve into their savings to repay the high interest rates of moneylenders, thereby creating negative savings. A loan that meets the demand of the borrowers and acts as a productive input into the business permits financial asset accumulation for the client.

Some non-borrowers recognized the cash flow smoothing effect of the loans. Non-borrowers agreed that it is difficult to generate sustained income and to achieve economies of scale in their operations if the only sources of financing are their own earned income and short-term loans provided by moneylenders.

Some microfinance borrowers had used their increased liquidity to extend consumer credit to their borrowers. One metal worker in Chalatenango reported an increase in sales once he began offering consumer credit because he fulfilled an unmet demand in the market. The metal worker earned more income through interest charged to the client and, more significantly, improved customer service.[5]

A critical finding in the control groups is the perception of non-borrowers that credit is an expense rather than an input or investment into the business. Many non-borrowers, in fact, fear credit. They view it as an additional operational cost and a constraint on capital

[4] For more information, see "The poor and their money: an essay about financial services for poor people," Rutherford, Stuart (IDPM Finance and development working paper series no. 3) Manchester, UK: Institute of Development Policy Management (1999)

[5] Some manufacturers require a 50% up front payment. The "credit" extended to their customers sometimes means that the manufacturers waive the up front payment requirement.

accumulation and savings. Most did not perceive the potential income-generating benefits of a loan.

Some non-borrowers argued that, in order to repay the loan and interest, they would have to raise prices on their goods, which would drive down demand and lower profits, thereby making it more difficult to repay. This concept stems in part from a lack of understanding of the applicability and utility of credit. These microentrepreneurs fail to comprehend the leveraging effect of credit. To them, their current liquidity constraints and vulnerability to exogenous shocks would only be worsened by credit. For microentrepreneurs who have only worked with moneylenders, credit often implies a reduction in savings reserves – or a decapitalization of the business. Many of these microentrepreneurs have projected this image onto the MFIs without fully appreciating the difference between these types of lenders.

Many non-borrowers implemented alternative savings strategies. Several farmers said that they began to invest in cattle and other animals. The animals serve as a hidden reserve or deposit that is liquidated when the animal is sold. Other small farmers said they reserve sacks of grain for sale during seasonal slumps. This also serves as a savings strategy. This study was not focused on the savings behavior of the poor or on the efficacy of savings products. The salient fact for the purpose of this study is the beneficial impact that credit has on financial asset accumulation of the borrowers.

3.1.4. Inputs into production that lower costs

There were four ways that borrowers increased margin through the inputs into their business:

1. Purchase in bulk at a lower cost;
2. Pay for transportation costs to markets with lower cost inputs;
3. Purchase productive fixed assets than increase yield and revenue; and,
4. Make infrastructure improvements that increase customer satisfaction.

One way in which borrowers demonstrated their entrepreneurial drive was through the use of the loan to procure lower cost inputs into the business. There are two ways in which borrowers in the focus groups said they procured lower cost inputs.

Borrowers in a variety of sub-sectors said they **purchased inputs in volume at lower costs** in order to increase yield. A breadmaker in Santa Tecla buys flour, sugar, and salt in bulk at a lower price, which produces a higher yield of bread and a higher margin. Purchasing inputs in volume at a lower price also results in **lower transaction costs** because the microentrepreneur makes less frequent trips to procure the material. As a result, microentrepreneurs are able to:

i. Take the higher profit; or,
ii. Pass the lower costs onto the customer with more competitive prices, thereby increasing customer satisfaction and, ultimately, sales volume, revenue and income.

Other borrowers used their loans to **exploit variable prices** in different markets in order to increase their margin. A client in Chalatenango who sells grains, rice, sugar, oil and butter uses the loan to pay the transportation costs to the border where goods can be procured at a lower price than in San Salvador.

Non-borrowers in the control groups also demonstrated an entrepreneurial spirit and pursued other strategies for lowering input cost. In several regions, microentrepreneurs created business associations through which they would enter into joint purchasing agreements with wholesalers. Effectively, they joined together to purchase inputs in volume at lower costs.

Petty trader of live and processed chicken
Zacatecoluca

"When I borrowed from moneylenders, I always had trouble with them and never had enough money to pay them back. I was always worried about repaying the loan. Now it's different. The loans are longer and the interest rate is lower. Now I have more products. I sell more and earn more and I pay on time."

"Now I have 5 people who help me – two children and 3 salaried workers. Sometimes I hire neighbors when there is a lot of demand and during Christmas when I sell a lot of chicken."

"I have lowered the prices for the customers because I bought a manual processecor and I can process the chicken much faster and sell more. I used to sell the chicken for 9 colones a pound but now I sell them for 8 colones per pound. Customers like the better price and they prefer to buy chickens from me."

It can be concluded from this that, while the loans did not engender an entrepreneurial drive that would not have existed already, it allowed the borrowers an alternative means of increasing margins and profits. This is particularly important for rural borrowers for whom it would be more difficult to create the critical mass to form a business association, or for more itinerant petty traders.

In addition to lowering costs, many borrowers used leverage to **accumulate assets that increase production**. Even if the investment increased costs in the short run, the borrowers eventually were able to compensate for that cost with higher yield and increased revenue. Often the fixed assets increased efficiency as well.

- A breadmaker in Santa Rosa de Lima used her loan to purchase an electric generator so that the business could continue when the power goes out daily. As a result, she increased her production from 90 bread trays to 180 trays a day.

Finally, some borrowers used their loans to make **improvements to the infrastructure** of their business, which implies better service, **increased customer satisfaction**, and higher income. A food vendor in La Unión installed clean seats and tables in her market stall, which was more appealing to passers-by and attracted more customers.

3.1.5. Employment generated

The higher income generated by borrowers with access to loans resulted in increased employment in many businesses. While the aim of this study was not to quantify this type of data, we did find that borrowers who participated in the focus groups had on average 2.63 people employed in the business.

- A client in Ahuachapán owns a beauty salon. With her loan, she purchased material and equipment, and improved the infrastructure in the business. Prior to the loan, she was the sole employee. With the income generated as a result of her investments, she now employs three additional people in her salon.

It is important to note, while the research team attempted to evaluate only formal jobs created, it is often impossible to assess that figure accurately because many borrowers interpret the sporadic aid of a family member as employment. Nonetheless, it can be concluded that a virtuous circle of profit and employment is created as a result of the loan. Higher sales and income generate a demand for additional workers, which creates jobs and in turn increases production and generates even higher income. The microenterprise is indisputably a source of employment in the market.

4. Impact at the Family Level

Another core objective of the evaluation was to identify the impact of access to credit at the household level. Specifically, the team sought to measure the changes on the well being of the borrowers' families. Through the discussion groups, the borrowers were asked to discuss impact on a variety of indicators, including education, nutrition and health.

The following are the principal findings that resulted from these discussions. The most salient finding was that every group identified some degree of appreciable change in the material well being of the family as a result of the loan.

4.1 Principal findings

Higher income generated by the microenterprise led to positive impact at the household level. Specifically, higher income resulted in:

- ✓ Improved financial strength within the family
- ✓ Asset accumulation (especially consumer durables and land)
- ✓ Ability to face external shocks to family finances
- ✓ Increased spending on education and health care, and improved nutrition
- ✓ Stronger family cohesion
- ✓ Empowerment of women

The following section provides evidence and explanation of the links between the loan and the positive changes at the household level.

4.1.1. Improved Welfare

Perhaps the most significant impact of the increase in business revenue resulting from the investment of borrowed capital was the increase in the financial strength of the borrowers' families. This finding reinforces the notion that assets are fungible between the business and the family. Increase in profits means an increase in family income. Almost all borrowers said that their families are "better off" than before soliciting the loan. The ways in which borrowers exercised their financial might will be discussed in subsequent findings in this section. The positive multipliers of increased purchasing power will also be discussed. It can be concluded, however, that the root of improved family welfare is the family's ability to consume higher quantities and quality of goods and services for family members.

The team noted an increase in asset accumulation within the household as a result of the loan. Many borrowers reported being able to purchase or replace **consumer durables** such as refrigerators, televisions, etc. In addition, some borrowers said they were able to **purchase land** and build homes for themselves as well as for extended family members. The capital investment in real estate permits these borrowers to build equity that leads to greater wealth, generating yet another virtuous cycle. Other borrowers used higher family income to make home improvements, which improves its quality and value, leading to another virtuous cycle of asset growth.

4.1.2. Consumption Smoothing

As a result of higher family income, borrowers are able to smooth consumption over time. Higher family income improved borrowers' ability to **face exogenous shocks** to the family budget. Many borrowers reported having been able to rebuild their homes after the earthquakes in early 2001 using family savings increased by higher business revenue. Other borrowers pointed to unexpected health care costs as a type of frequent shock that, prior to their loan, would have been too onerous for the family to endure. Prior to accessing credit, borrowers facing a health crisis in the family would either have been met with financial ruin or would have to delay the treatment of the ill family member, resulting most often in more grave and more expensive medical needs.

The research team also identified consumption smoothing in the **purchase of basic services**. Within the control groups, many non-borrowers said they often were late on utility payments, which would result in periods without of black outs or lack of telephone service. Conversely, the microcredit borrowers were able to cover utility payments for their families, and often for extended family members as well.

4.1.3. Health, Nutrition and Education

With respect to health care costs, it is not only medical emergencies that many borrowers found too onerous prior to taking a loan. For many, **preventative medicine** was an expense that was often sacrificed when money was tight. Many borrowers reported having had delayed doctors' visits for children for lack of money, or delayed purchasing prescribed medication and/or obtaining vaccinations. With higher family income, borrowers do not delay medical care for family members. The result is improved health and welfare for the children and for all family members.

The health of the family also is improved when family members **improve nutrition**. Frequently, borrowers stated that they used the higher family income to purchase better quality and greater quantity of food (77% of the focus groups). The most common dietary change was from a frequent dinner of rice and beans to one that includes more protein in the form of meat or chicken. Some clients also said they could now afford vitamin supplements. In addition, some borrowers

> **"When there is no money, you have to think twice about going to the hospital when a child is sick."**
>
> ***Non-borrower, Chalatenango***

said they purchased more milk instead of sodas for their children. The switch from sodas to milk is not a price issue since milk is cheaper; however, the dietary change indicates an awareness of the health implications as well as dietary improvements that often accompany increases in income. It is a question of education and awareness, not cost.[6]

Many borrowers said their children are now able to purchase lunch at school. While this indicator would need to be studied more closely in El Salvador to identify causality, social studies around the world have shown a direct correlation between improved child nutrition and improved educational performance.[7] The potential for positive multipliers between higher income as a result of credit, improved nutrition and performance in school is significant.

Borrowers also pointed to **changes in education** spending as a positive impact of higher family income. Some borrowers used their higher family income to transfer students to better quality schools, which in a few instances entailed a switch from public to private schools. Most often borrowers reported they were able to cover school fees, including transportation and supplies. It is interesting to note that the improved education and ability to cover education costs extended beyond the immediate family. Borrowers often said they used their increased income to pay the education costs of siblings, cousins, etc. The conclusion to be drawn here is that positive impact of the loans extends beyond the nuclear family and ripples through the extended family. In other words, the beneficiaries of the loan include more than the client and his/her nuclear family.

A few borrowers identified a regressive multiplier. Some complained that the debt burden of their loans made it more difficult for them to cover family expenses such as school fees and transportation. While this impact is important to acknowledge, these borrowers comprised only a small minority (less than 1%).

The non-borrowers reinforced the conclusion that credit positively impacts health, nutrition and education. When non-borrowers become capital constrained, they tend to "rob Peter to pay Paul." In other words, these microentrepreneurs often lower key family expenditures in order to free up the capital to cover unexpected costs. There seemed to be a loose pattern that most non-borrowers followed when limiting spending. Spending on recreation and clothes is the first to be curtailed. Secondly, non-borrowers delay payment of basic services e.g. telephone, water and electricity. Finally, spending on food and health care is reduced. Non-borrowers revert to meals of rice and beans and cut out meat and chicken. One non-borrower in Chalatenango said: "When there is no money, you have to think twice about going to the hospital when a child is sick."

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[6] For more information, see "Preliminary evidence that integrated financial and educational services can be effective against hunger and malnutrition," MkNelly, B; Watetip, C.; Lassen, C.; Dunford, C. Davis, California, USA: Freedom from Hunger (1996)

[7] For more information, see "Class Action: Improving School Performance in the Developing World through Better Health and Nutrition," Del Rosso, J.; Marek, T., Washington, D.C.: World Bank (1996)

4.1.4. Family cohesion

A common theme among the focus groups was the sense of greater family cohesion following the investment of the borrowed capital. Many borrowers reported that the increased family income mitigated the pervasive financial strain in the family and the stress associated with it. Family members felt more financially secure and less fearful of the potential for severe economic hardship resulting from an economic downturn or an unexpected event e.g. deaths, etc. A common expression used by the borrowers was that they felt a greater sense of relief - "*más desahogado*".

In some cases, the diversification of economic activity also led to improved family relations. One client in Santa Ana said he left his job at a farm and started his own business, which allowed him more and better quality time with his family.

Family cohesion also was augmented by increased amounts of free time available to the borrowers as a result of the economies of scale attained in their businesses. Borrowers reported generating higher income while spending fewer hours (due to economies of scale, employees hired, etc.), which permitted them to spend more time with their families. Borrowers said they had both more time and money for "*esparcimiento*", or recreation.

4.1.5. Gender roles

> **"Now my husband is willing to help out and watch my shop while I attend a training, make a business transaction, or simply quietly enjoy a meal."**
>
> ***Borrower, Sensuntepeque***

Female borrowers overwhelming reported improved gender relations within the family. The consensus among female borrowers was that the couple shares responsibilities of the household (e.g. child rearing) more than they used to before accessing credit. As the woman's business has grown, the division of labor within the household becomes more evenly divided. Women also reported that, as a result of their role in the family as a vital income earner, they had gained more respect and autonomy from their husbands and children. Communication within the family, and especially within the couple, had improved with the reduction of the financial strain on the family

In addition, many women reported a stronger sense of self, resulting from increasing financial independence. The increased respect she gains within the family as a result of her increasingly vital economic role in the family reinforces her self-esteem.

Women in 5 out of the 18 focus groups (or 27%) claimed that there was no appreciable change in the gender roles within the household as a result of the loan. Largely, this was due to several factors. Either the couple already shared responsibilities within the household prior to receiving the loan, or the husband retained the final say. According to a female client in Usulutan: "We share the decisions, but my husband has the last word."

5. OBSERVATIONS AND RECOMMENDATIONS

During the course of the focus group discussions, several themes emerged that are critical insights into the market and the client from which the MFIs could benefit in order to improve products, services and, ultimately, impact.

It was clear to the research team that many MFIs need to **implement more targeted and strategic marketing** efforts. Many non-borrowers based their financial decisions on inaccurate or incomplete information about the supply of credit available. Some non-borrowers, for example, assumed that all loans required at least 3 fixed asset guarantees. Some had never heard of a group solidarity product.

In addition, many non-borrowers viewed credit solely as an expense and did not understand the productive potential of this type of capital injection. Some viewed credit as useful only in the form of seed capital when there are no other potential sources. The institutions need to develop marketing strategies that seek to education potential clients and eradicate these imperfect information problems among potential borrowers in order to capture larger market shares.

As part of an overall strategy to strengthen outreach, the MFIs should continually evaluate ways to **introduce greater flexibility into the product offering**. While this study was not intended to measure client satisfaction or demand, anecdotal evidence that emerged from the focus groups indicated that borrowers are demanding greater flexibility from the institutions. Several borrowers who had experienced some type of exogenous shock (e.g. fire or earthquake) complained that their lending institutions did not demonstrate a willingness to work with them to find solutions that would avert default. Many borrowers said they requested refinancing or restructuring of their loans but were denied as a policy. The research team did not investigate these claims independently. Whether or not refinancing or restructuring was justified is almost irrelevant. The perception among many borrowers is that their institution is not sufficiently flexible.

The MFIs should also develop strategies to introduce greater flexibility into the product offering in order to **capture new, untapped markets**. As mentioned, most of the non-borrowers in the focus groups was engaged in agriculture or manufacturing. Few relied on commercial trade or services for their income. While further study is required, it is likely that microentrepreneurs in these sectors have fewer loans because the supply of financial products and services tailored to their needs is lacking. Most financial products on the market are targeted toward commercial traders and service industry workers. In order to continue expanding their portfolios, MFIs should conduct comprehensive sectoral market research and design, test and launch products and services to non-traditional clients.

Some non-borrowers said they preferred to work with moneylenders rather than a bank because of the ease and speed with which the moneylenders disburse the loans. While the number of microentrepreneurs who would agree is likely small given the high interest rates charged, the comment raises the need for **improved customer service**. Many borrowers who expressed satisfaction with their institutions pointed to the ease with which they were able to solicit the loan. Conversely, many borrowers who seemed dissatisfied pointed to the cumbersome application process. Again, the study did not seek to measure client satisfaction. However, the frequency with which borrowers mentioned speed of disbursement as a point of satisfaction or dissatisfaction was significant enough for our research team to bring it to the attention of FOMIR and the institutions. Slow disbursement and cumbersome application processes mean high transaction costs for borrowers. In turn, high transaction costs raise the opportunity cost of applying for a loan for low-income microentrepreneurs. Moreover, most MFIs offer loans and cycles that correspond to the business cycles of commercial traders. For microentrepreneurs whose principal economic activity is based in agriculture or production, few MFIs offer terms that conform to the sectoral cycles. MFIs would be wise to segment the market and design products, services and delivery mechanisms that meet the differing sectoral demands.

The goal for any institution should be to balance the reputation as a client-oriented business without appearing to be soft on repayment. Each MFI should evaluate its balance to see if some modifications could be made to improve client satisfaction without sacrificing portfolio quality.

The research team also noted a need for **tighter due diligence in the lending process**. About 9% of the borrowers who participated in the focus groups used their loans to cancel other loans, and 25% canceled family debt or covered family expenses. While no trend analysis was conducted as part of this study, these figures at first glance raise a red flag. They may indicate rising levels of overindebtedness. In addition, the high rate of non-productive uses for borrowed capital signals a risk of overindebtedness and default. MFIs need to monitor these trends and conduct more comprehensive analysis as to the uses of the loans.

Finally, MFIs should continue to monitor impact in order to measure outreach, and to improve product development and marketing. It is worthwhile for the Salvadoran MFIs to consider instituting a regular cycle of impact analysis that will inform their product development and marketing strategies and increase capacity at the industry level. Some MFIs in other countries incorporate impact variables into the loan documentation. However, given that the principle point of competition in the Salvadoran market is customer service as measured by efficient disbursement, this strategy would likely encumber the loan analysis process and lower an institution's competitiveness.

Instead, the team recommends that MFIs work through second-tier institutions, donor agencies and projects such as FOMIR-DAI to carry out independent impact analysis at the industry level that would serve as a public good to all microfinance institutions. In Bolivia, for example, there are a variety of for-profit and non-profit donor-funded research bodies and second-tier institutions that partner with donors and other stakeholders to conduct market research. In Ukraine, the USAID-funded BIZPRO project carried out a nationwide baseline survey of microfinance institutions – the first of its kind. This type of analysis is costly and most MFIs cannot incur this expense. A coordinated industry level analysis would reduce the chance of redundancy of efforts, lower cumulative costs of this type of analysis, and ensure quality and consistency of results.

6. CONCLUSIONS

Credit generates virtuous cycles of positive impact

The evidence gathered through the focus groups conducted in February-March 2002 clearly indicates that credit has a positive impact on revenue and on the welfare of the borrowers. These positive multipliers manifest themselves in several ways.

At the microenterprise level…

- ✓ The infusion of working capital enabled the microentrepreneur to increase sales and revenue through a variety of means and reinvest the earned income into the business, thereby generating a virtuous circle of growth.

- ✓ Achieving economies of diversification and scale, and lowering transaction and input costs typically increased sales and revenue.

- ✓ Moreover, borrowers were able to smooth cash flow fluctuations and generate enough liquidity to weather external shocks.

- ✓ Finally, increased sales resulted in increased employment

At the household level…

- ✓ The positive impact of access to credit manifested in improved welfare as measured by increased and consistent spending on education, health care, nutrition, housing, and basic utilities.

- ✓ Borrowers enjoyed greater financial strength as a result of higher income generated through leverage, and greater consumption smoothing through increased liquidity.

- ✓ In addition, many borrowers reported improved dynamics within the family. Particularly women said they are more respected by their husbands and children and have greater independence and self-esteem.

Some borrowers reported that their debt burden was manageable in normal economic conditions but became onerous in times of crisis, which increased the risk of default. This impact was compounded by the unwillingness of the institutions to refinance or restructure loans during periods of unanticipated crises (e.g. earthquake). (Further analysis is required to determine whether the institutions are conducting the due diligence required to maintain portfolio quality.) Especially for microentrepreneurs who are highly exposed to risk, the loan is detrimental in periods of economic downturns.

In sum, while some borrowers could not find a causal relationship between their loan and higher income, the majority – or 86.01% – said that they are better off with the loan.

Improved welfare has a variety of meanings, but it is clear to the research team that these borrowers experienced measurable increases in income as a direct result of credit. Higher income resulted from a variety of factors: the purchase of lower cost inputs, lower transaction costs, higher productivity and improved efficiency. The higher income then led to a series of positive multipliers, such as increased savings and employment generation.

The improved welfare that resulted from the higher income can also be seen in the household. Families have more money with which to accumulate assets and are spending more on education and health care and improving nutrition. The reduced financial strain on the family improved communication and cohesion, and the vital economic role in the family played by female borrowers led to improved self-esteem among these clients.

ANNEX 1

GUIA DE EJERCICIOS Y PREGUNTAS PARA LA CONDUCCION DE LOS GRUPOS FOCALES	
1	EJERCICIO: Breve con una discusión de sus empresas
Nivel Empresarial	
1	Cuáles son los principales cambios, beneficios, efectos o logros alcanzados en su negocio gracias al uso del crédito recibido? Enumere y explique en detalle las razones o los argumentos sobre los cuales fundamenta su opinión. ▪ Han visto cambios en cuanto los ingresos de su empresa? *(e.g. aumentos)* ▪ Han tenido cambios en la cantidad de gente empleada por su empresa? Por qué? ▪ Cuáles han sido los cambios en cuanto la calidad y/o la variedad de productos o servicios que ofrece su empresa?
Nivel Familiar	
2	Ha notado ud. algunos cambios en el bienestar de su familia después de haber recibido su préstamo actual? Haga una detallada enumeración de las por qué. ▪ Han habido cambios en el ingreso de la familia? ▪ Han habido cambios en lo que gastan para educación? *(Debe saber cuales clientes tienen hijos viviendo en su casa).* ▪ Han habido cambios en lo que gastan para la salud de la familiar? ▪ Han efectuado cambios en su vivienda? *(e.g. ha mejorado el techo, piso, paredes, luz, agua, teléfono)* ▪ Ha cambiado su capacidad de proveer alimentación adecuada a su familia? ▪ Ha cambiado su capacidad de enfrentar eventos inesperados después del tener el crédito?
3	Ha habido cambios en la relación entre hombres y mujeres dentro del núcleo familiar o empresa? ▪ Quien es el responsable de decidir la utilización del préstamo en la empresa? ▪ Quien toma la decisión de la contratación del crédito? ▪ La toma de decisiones en cuanto la responsabilidad de la empresa es igual o

	distincta que antes? Por qué? ▪ La toma de decisiones en cuanto responsabilidades familiares es igual que antes del crédito? Por qué?

ANNEX 2

GUIA DE PREGUNTAS PARA LOS GRUPOS DE CONTROL	
1	EJERCICIO: Breve con una discusión de sus empresas
Nivel Empresarial	
1	Cuáles son los desventajas/ventajes en cuanto el negocio de no tener crédito? ▪ Cómo efetuara los siguientes: → Ingresos → Empleados → Calidad/Variedad de productos
2	Cómo solucionan sus problemas financieros en cuanto el negocio sin crédito?
Nivel Familiar	
3	Cuáles son los desventajas/ventajes en cuanto la familia de no tener crédito?
4	Cómo solucionan sus problemas financieros en cuanto la familia sin crédito? ▪ Cómo efetuara los siguientes: → Ingresos de la familia → Lo que gastan para la educación → Lo que gastan para la salud de la familia → La vivienda (e.g. mejoramiento como el techo, piso, paredes, luz, agua, teléfono) → Lo que gastan para la alimentación → La capacidad de enfrentar eventos inesperados

ANNEX 3

CUESTIONARIO GRUPOS FOCALES

Toda la información proporcionada en este formulario es de carácter estrictamente confidencial. La identidad de las personas se mantendrá anónima.

1. Sexo: Femenino __ Masculino __
2. Jefe de familia Sí __ No __ Comparto las responsabilidades del hogar __
3. ¿Numero de miembros de su núcleo familiar que dependen de usted? __________
4. ¿Sabe leer y escribir? Si__ No__
5. ¿ A qué tipo de negocio o actividad económica se dedica usted la mayoría del tiempo? ____
6. ¿ Cuántas personas en total trabajan en su negocio? _____________________
7. ¿ Lleva usted en su negocio contabilidad o algún tipo de registro sistemático de sus costos y ventas? Si __ No__
8. ¿ Ha usted tenido justamente antes de su préstamo actual algún ***otro*** tipo de préstamo? Si __ No__
9. ¿Cuál fue el motivo o razón para solicitarlo?
____
____
10. ¿Con quien lo obtuvo?
Prestamista___ Institución___
Familiar o pariente___ Otros___________________________________

.

.....Continuar a la pagina siguiente

11. ¿Cuál fue el motivo o razón para solicitar su préstamo **actual**?
____
____
____

12. ¿ Cuánto has prestado? ____________

13. ¿ A qué plazo? ______________

14. ¿A qué tasa de interés? ___________________

15. ¿Cuál fue el destino dado al dinero obtenido por medio de este préstamo?

    Compra de mercadería___ Materia prima___ Cancelación de otros créditos___

    Deudas familiares___ Gastos familiares___

    Otros____

16. ¿Cómo juzgaría comparativamente su situación actual después de haber recibido su préstamo **actual**?
    ___Mejor ___Igual ___Peor

17. ¿ Es su préstamo **actual** mas, igual o menos ventajoso al obtenido anteriormente?
    ___Más ventajoso ___Igual ___Menos ventajoso

18. ¿Por qué? (Si su respuesta fue "Igual" favor de pasar al #19)

    Monto otorgado___ Tasa de interés___ Plazo___

    Forma de pago___ Garantías___ Otros__________________

19. ¿Quién toma las decisiones en cuanto a las finanzas del negocio?
    ____

20. ¿Quién toma las decisiones en cuanto a las finanzas de la familia? _____________

ANNEX 4

CUESTIONARIO GRUPOS FOCALES (CONTROL)

Toda la información proporcionada en este formulario es de carácter estrictamente confidencial. La identidad de las personas se mantendrá anónima.

1. Sexo: Femenino Masculino

2. Jefe de familia Sí No

3. ¿Numero de miembros de su núcleo familiar que dependen de usted?__________

4. ¿Sabe leer y escribir? Si No

5. ¿ A qué tipo de negocio o actividad económica se dedica usted la mayoría del tiempo?
   ____

6. ¿ Cuántas personas en total trabajan en su negocio?-_____________________

7. ¿ Lleva usted en su negocio contabilidad o algún tipo de registro sistemático de sus costos y ventas? Si No

8. ¿ Ha tenido usted algún tipo de préstamo antes de marzo del 2000? Si No

9. ¿Con quien lo obtuvo?

   Prestamista Institución

   Familiar o pariente Otros____________________________________

10. ¿ Cuánto le prestaron? ___________

11. ¿ A qué plazo?_____________

12. ¿A qué tasa de interés? __________________

13. ¿Cuál fue el motivo o razón para solicitarlo?
    ____
    ____

14. ¿Cuál fue el destino dado al dinero obtenido por medio de este préstamo?

    Compra de mercadería Materia prima Cancelación de otros créditos

Deudas familiares Gastos familiares

Otros____

15. ¿Quién toma las decisiones en cuanto a las finanzas del negocio?______________

16. ¿Quien toma las decisiones en cuanto a las finanzas de la familias? ____________